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ABSTRACT

Planning by the University of Wisconsin system for rational management of projected enrollment and fiscal decline is considered. It is suggested that a change in a college or university's mission may be an instrument for enabling a particular institution to meet unusual problems of declining resources. The elimination and consolidation of courses can protect against the inefficiencies of the generalized decline in the size of classes. Changes in program arrays, including the elimination or consolidation of marginal programs, are another tactic. The idea of enrollment targets was instituted whereby all institutions were told that they would not receive funding for enrollments beyond a level they defined in terms of maintaining quality instruction. The development of the Composite Support Index to aid in fiscal targeting and enrollment reallocating procedures is noted. Special procedures that would be undertaken for institutions facing serious difficulties are outlined, as is the nature of two presidential task force studies of the University of Wisconsin-Superior and the two-year, liberal arts transfer centers. (SW)

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Preparing for a Decade of Enrollment Decline:

The Experience of the University of Wisconsin System

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Southern Regional Education Board

Preparing for a Decade of Enrollment Decline: The Experience of the University of Wisconsin System

Donald K. Smith*

The development of "contingency" plans for the future is among the most important functions of a statewide higher education governing or coordinating body. Beginning in 1975, the University of Wisconsin system began to formulate policies to address the enrollment declines expected in the 1980s. The staff of SREB visited the system office and several of the states's institutions as part of a study examining the public policy strategies to respond to enrollment losses and financial cutbacks.

Since 1975, the University of Wisconsin System has been developing its internal planning and budget management systems with an eye to the probable decline in enrollments in the decade 1983 to 1993.

The system and its member institutions have assumed that the enrollment decline will be accompanied by a decline, in constant dollars, in state support for the instructional missions of the institutions. This assumption is supported by common sense. Lower instructional workloads imply some decline in instructional costs. But the decline is also made all but inevitable by the fact that the instructional mission of the universities is largely supported by an enrollment funding formula. In theory, an increase or decrease in enrollments is accompanied by an increase or decrease in state funding.

The Wisconsin enrollment funding formula has not been consistently honored by state government during the 1970s. For example, in the biennium 1975-77, the state suspended the formula. This was the biennium in which we had predicted and did experience our most substantial growth of the decade just completed. In 1977, a new formula was adopted. This one pays some – but limited – attention to the fact that instructional support costs can be divided into fixed costs, which do not change substantially with enrollment changes, and variable costs, which can change. In 1980, we are again seeking to get some adjustments in the formula which will give increasing recognition to fixed costs of instruction. These changes would improve the chances that the formula will track more closely the actual instructional cost changes in a period of enrollment decline than seems to be true of the present formula. I cannot predict at this time whether we will be successful in getting further changes in the formula. Some Wisconsin legislators, or so it seems to me, have an unwholesome preoccupation with opportunities for budget reductions and much more limited interest in our observations about the costs of effective instruction.

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* *Donald K. Smith, senior vice president emeritus of the University of Wisconsin System, gave this presentation at SREB's 1980 Legislative Work Conference.*

Given the assumptions of substantial enrollment decline and decline in instructional funding, the system and its institutions have, since 1975, developed a series of planning principles and management processes designed to enable us to cope with these twin phenomena. Our latest effort to consolidate and extend management processes and instruments has appeared in the form of a six-month study, mandated by the legislature in the 1979-81 biennial budget bill. The study is entitled *Preparing for a Decade of Enrollment Decline.* It was delivered to state government, as required by law, on November 30, 1979. The full title has such a melancholy ring that we generally refer to it as "the November 30 report." However, I think our universities generally regard this euphemistic use of a calendar date as simply a variant form of the "Ides of March."

I am occasionally bemused by the enormous effort we have devoted to developing our planning policies, management instruments, and the information and information analysis systems which support them. For one thing, we have long since put aside speculation on the question of whether or not enrollments in Wisconsin higher education will, in fact, decline. We project a decline of about 19,000 full-time-equivalent students by 1993, or 15 percent of our current enrollments. One feature of our November 30 report which was most welcomed by state government was our forthright statement that we expected enrollments to decline – no ifs, ands, or elaborate doubts. This was followed by an equally forthright statement that we expected constant dollar funding for our degree-credit instruction to decline. We didn't argue that this decline should be offset, or more than offset, by increased support for research and outreach funding and by specific efforts to improve instructional quality. We set these questions aside.

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Now, however, a recent study by the American Council on Education sees fit to predict that the long awaited declines of the 1980s will turn out to be illusory, and that the actual experience will be one of stability, or slight decline, or slight increase. All of this will happen, thinks the ACE, because of prospective improvements in high school graduation rates, in college attendance rates, in retention, in continuing education demands by older populations, and in demand from foreign students.

It has occurred to me that if ACE is right, then our elaborate planning efforts in Wisconsin may turn into a management version of Beckett's play, "Waiting for Godot." You may recall that the two characters in this play carry on their extended conversation under the dramatic pressure of an awaited appearance of Godot. But Godot never arrives. However, I suspect that the analogy ends there. Beckett's people were both hoping for and fearing Godot's arrival. Those of us in Wisconsin will be so relieved if enrollment decline doesn't arrive that we will be quite willing to overlook small questions of excessive or disproportionate advance effort.

Ongoing Management Instruments

Our November 30 report reaffirms a series of management instruments developed by the system after 1973, and largely after 1975. It further develops additional mechanisms which should be available in the presence of sustained and significant enrollment and fiscal decline. And, it also identifies additional planning studies and steps which need to be undertaken. Some of our array are instruments rather generally found in systems around the nation, but others involve concepts and approaches which I have not found widely replicated elsewhere.

1. Mission Statements. Each of our 13 universities, our set of two-year university centers, and our extension institution has a mission statement established by the Board of Regents. This statement sets boundary conditions within which the institution can plan academic programs and offer academic degrees. Our institutions are categorized in clusters. For example, the two doctoral institutions are in one cluster, and the 11 baccalaureate-master's degree institutions are in a second cluster. Each cluster has a mission held in common by its member institutions, but each institution also has a special mission for the program areas – largely the undergraduate and graduate professional areas – in which it can seek approval for planning initiatives.

We have faced the possibility that some of our institutions, absorbing a disproportionately large rate of enrollment decline, may have to undertake the drastic process of reexamination of their missions. In this sense, a change in mission may be an instrument for enabling a particular institution to meet unusual problems of declining resources while still maintaining the quality of the services that are continued. A fundamental change in an institution's mission, however, is the most drastic surgery for meeting decline that we can envision, other than the outright closing of a campus. With effective planning we hope that the use of either medicine will be, at worst, infrequent.

2. Constraining, Altering, or Reducing Program Arrays. Since 1973, we have been developing the use of two processes to slow down and selectively reverse the processes of academic program growth which proceeded so freely in the decades of the 1950s and 1960s. These processes are: first, the use of a rigorous evaluation and review process prior to giving an institution the entitlement to plan and implement a particular new program; and second, a process for the systematic evaluation over time of all existing academic programs incident to decisions on continuing, or modifying, or consolidating, or discontinuing each of the programs evaluated. Most states now have a version of this process in operation.

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The current difficulty most of our universities face in coping with enrollment and budget decline flows from what I believe to have been a history of excessive program elaboration and specialization in American higher education, particularly at the undergraduate level. Sudden or systematic shifts in student program choices find us with resources tied up in personnel who are often too specialized in their interests and preparation to serve alternative instructional needs. When enrollments and budgets were generally growing, such shifts in student enthusiasms were rather readily managed through time with only minimal losses of efficiency. As enrollments and resources decline, however, the inability of universities to redeploy resources quickly becomes troublesome.

I don't want to seem too critical of our history of program specialization and elaboration, even though in the 1980s it will account for some of our most severe management problems. In the Fifties and Sixties it was a way to get better information on higher educational opportunities to students. It was a way to fulfill the public university dream of "bringing the blessing" of higher learning to bear on the educational needs and occupational interests of all people. It was a way of coping with the constant expansions and reconfigurations of specialized knowledge. But, aided by the perfect vision available to hindsight, I now see clearly that we went too far too fast.

"A fundamental change in an institution's mission. . .is the most drastic surgery for meeting decline. . .other than the outright closing of a campus."

In our planning efforts in Wisconsin, we assume there are two ways in which universities will need to move to cope with enrollment and fiscal decline: first, the elimination and consolidation of courses in order to protect against the inefficiencies of the generalized decline in the size of classes; and second, changes in program arrays, including the elimination or consolidation of marginal programs and programs not deemed essential to the fulfillment of the institution's mission. This process should also be used to provide the institution with the capacity for resource reallocation needed to support the development of such new courses and programs as may be essential if the institution is to be able to respond vigorously to the demands of new knowledge and new societal needs, even in the presence of fiscal austerity.

Our current hypothesis is that most of our institutions, using the instruments of curricular and program consolidation, will be able to meet the problems of enrollment and related fiscal decline in the 1980s and enter the 1990s with undiminished quality and vigor. When the weather is right, one can even dream that the whole process of adaptation may strengthen institutional purpose and quality. But this assumes that fiscal decline related to enrollment decline is the only, or major, fiscal uncertainty we will face, and this future is by no means secure.

We also assume that some institutions may face problems of decline of such severity that they will no longer be able to respond in ways that protect either the continuity or quality of their enterprise. We have additional instruments available for such circumstances, and I shall be coming to these shortly.

3. Enrollment and Fiscal Targeting. Since 1976, we have furnished the Regents annually with a four-year enrollment forecast for each of our universities. This forecast is developed by system staff, and after suitable negotiation with each of the institutions, is brought to the Regents for approval as a basic planning instrument for the system and the institutions. In the November 30 report we extended this enrollment forecast to cover a six-year rather than a four-year front, to be updated annually.

Our enrollment targets, as we call our forecasts, are something more than free market enrollment estimates for some institutions. When we were denied enrollment funding for 1975-77 by state government, we faced a problem of being unable to allocate new instructional funding to some of our most rapidly growing institutions. We also faced the fact that, even if resources were available, it might not be altogether wise to expand physical facilities and staffing at institutions for which the enrollment bulge seemed at best a temporary phenomenon. We moved to the concept of "enrollment targets." All institutions were told that they would not receive funding for enrollments beyond a level they had defined as the one at which they could provide reputable instruction within current budgets. For some of these institutions, the enrollment target then became an enrollment ceiling or cap. They were asked to control their enrollments at or near the target or cap established by the Regents.

Only about four of our institutions are now turning away students who might have come in the absence of their controlled enrollment targets. By the middle of the 1980s we anticipate that the targets for all institutions would fall at or near free market projections. However, it should be noted that the idea of enrollment targets, and controlled enrollment levels, is also an instrument for dealing with any developing situation in which university instructional resources are insufficient to enable us to provide quality instruction to all of the students who might seek such instruction. In all of our planning documents, we have said that if the choice becomes clearly one of maintaining quality or reducing access, we will act to reduce access. We don't see how we can responsibly choose otherwise. At the same time, we pro-

"Sudden or systematic shifts in student program choices find us with resources tied up in personnel who are often too specialized. . .to serve alternative instructional needs."

foundly hope that this choice will not be forced on us by state government, since a retreat from either goal – maximizing quality and maximizing access – is a disservice to the future of this nation and its citizens.

As I have already implied, our enrollment targets are tied to fiscal targets. Specifically, for each annual budget we are now giving the Regents a two-year projection of the increases or decreases in enrollment funding we will provide for that institution. The first year projection, when acted on by the Regents, becomes part of the next year's annual budget. The second year projection is approved by the Regents as a contingent fiscal goal. It is reviewed prior to the development of the relevant annual budget, against changes in enrollments from projections, or changes in the total resource situation of the system, or other considerations which may argue for reconsideration. These two-year, "rolling front" fiscal targets are a public document. In addition, we have been sending staff projections on a four-year "rolling front," and more recently on a six-year "rolling front," to all institutions actually facing fiscal reductions. After 1983, we expect most of our institutions to be in this situation, and we hope to have our processes of six-year enrollment projections and six-year enrollment funding projections operating smoothly by that time.

". . .some institutions may face problems of decline of such severity that they will no longer be able to respond in ways that protect either the continuity or quality of their enterprise."

Our targeting and reallocation processes were not inert, however, through the 1970s. In the four annual budgets since 1977, we took $5.5 million out of the budgets of seven institutions and added $4.1 million to the budgets of seven others. The difference in these two figures has been used partly to restore minimally a depleted contingency account against fee revenue shortfalls, and partly to manage state government reductions in our base budget.

In support of our fiscal targeting and enrollment funding reallocating procedures, we have also developed an index called the *Composite Support Index*, or CSI. It reflects the effects of all of our decisions on the relative strength of fiscal support for the instructional mission of institutions in the same cluster. Essentially, this index measures the number of dollars behind each weighted credit hour of degree instruction offered by each of our institutions. The index takes into account the differences in costs for instruction at four different levels (lower division, upper division, first level graduate, and second level graduate); the differences in costs for six disciplinary areas (ranging from the high cost areas of the engineering and physical sciences to the lower cost areas of the social sciences and humanities); and the difference between each institution's full-time-equivalent enrollment, and its headcount enrollment.

The index gives us a quick and consistent way of looking at relative support levels for institutions, which is much more informative than simple unit costs. It would be difficult to manage our enrollment funding decisions without such an index. At the same time, we have resisted tying allocation decisions simply to the CSI levels. For this reason, we insist that the CSI results are one among several ways of reaching allocation decisions. I should say that my enthusiasm for the CSI is not shared by administrators and faculty in many of our institutions. The institutions from which funds have been withdrawn have little trouble discovering a large number of reasons why the number inaccurately portrays the relative adequacy of their support.

"Special Planning" Initiatives

The management process I have described thus far has been developed over a period of several years. It served as the floor for further development in our November 30 report on *Preparing for a Decade of Enrollment Decline.* A primary new management process is the development of a Regents' policy called "Special Planning."

Essentially, the report says the following:

1. We expect that most of our institutions, using the currently available planning and management instruments, will be able to meet their problems of enrollment and related fiscal decline.

2. We expect that some institutions may face enrollment and fiscal decline at a level which requires special planning approaches.

3. The president of the system, as well as the chancellor and faculty of the affected institution, should have available "indicators of trouble" which suggest that intensified communication between the institution and the president should be undertaken. We have named these indicators "thresholds of concern." This is a euphemism, although it is true that an institution could cross one or more of the thresholds without any great indication that it was heading for serious trouble. Also among the "thresholds" we have one indicator which we call a "trip wire." This one relates to a legislative mandate that if the instructional costs of any institution, as measured by the CSI, exceed the average costs of institutions in its cluster of institutions by more that 30 percent, then the Regents *shall* undertake a special study leading to such decisions on changes in mission or program array, or both, as to bring the costs of the institution back to an appropriate level.

4. Finally, the report calls attention to the fact that some institutions, in the judgment of the president and the Regents, may be facing fiscal or program quality problems of such magnitude as to suggest that even the special planning initiatives of the institution cannot be

expected to result in an effective resolution of the problems. In such cases, an external task force, appointed by the president, should be given the job of developing

> *". . .if the choice becomes clearly one of maintaining quality or reducing access, we will act to reduce access. . .At the same time, we profoundly hope that this choice will not be forced on us. . . ."*

recommendations for review by the president and the Board of Regents as to the changes that should be undertaken in the mission, structure, program array, or curriculum, or all of these at the institution under study. The president and Regents would then develop directives or action to follow from the task force recommendations.

To date, two such task forces have been established. One of these was to examine the mission, structure, and program array of the University of Wisconsin-Superior. The other was to study the mission and structure of the Center System for two-year institutions, with particular reference to the condition of the three smallest centers exhibiting the highest unit costs.

Here are the so-called thresholds of concern established in the November 30 report as possible triggers for the special planning process;

1. When an institution's actual or projected Composite Support Index exceeds its targeted CSI by at least 6 percent.
2. When actual or projected enrollment or related fiscal decline exceeds 5 percent or 12 percent over the six-year planning period.
3. When the institution's fixed instructional cost exceeds 65 percent [of total instructional cost] in the current year or has increased by more than 10 percentage points in the previous two years.
4. When the projected percentage of faculty, teaching academic staff, and graduate teaching assistants whose contracts terminate in any one year is less than twice the percentage of projected enrollment decline in any one year.
5. [When highly tenured institutions register significant enrollment declines, specifically] when the institution has 35 percent more of its instructional staff in departments, each of which has committed 80 percent or more of its instructional positions to faculty with tenured appointments, and where enrollment decline of more than 5 percent (for any one year) or 12 percent (over the six-year planning period) occurs or is projected to occur for at least half of those departments.

Number 6 of the thresholds is the legislatively mandated "trip wire":

6. When an institution's Composite Support Index is projected to exceed the weighted cluster average by 30 percent or more.

There is little point in speculating about how well these indicators will work to tell the president, the chancellors, and the Regents when an institution is headed for trouble, and when the trouble is so serious that intervention will be required. The indicators hypothesize that universities can adjust to declining enrollments and associated fiscal decline if: a) they are not the object of other kinds of severe budget cuts; b) if they do not experience atypically large decline; c) if they are able to protect as much flexibility in their personnel commitments as may be required to achieve staff reductions appropriate to workload reductions; and d) if they can manage curricular and program array consolidations in ways that prevent both the erosion of program quality and cost escalations inherent in steadily declining average class size. We will know better in 1985 whether the boundary conditions for these indicators have been wisely set, or, for that matter, whether our fiscal environment is stable enough to make any kind of rational planning possible.

Presidential Task Forces

The University of Wisconsin-Superior is a small baccalaureate and master's degree university with about 2,000 students. The reasons for special attention to UW-Superior had been developing through the decade of the 1970s. While the system as a whole experienced modest enrollment growth in this decade, enrollments at Superior have declined 33 percent since 1970. Despite significant withdrawals of funding from the university throughout the decade, its unit costs, in relative terms, have continued to climb. By 1979-80, its relative cost per weighted student credit hour of instruction stood at 142 percent of the average for the 11 universities of the university cluster, and well outside the 130 percent of the average cost threshold set in the biennial budget bill. In the November 30 report, the Regents directed the establishment of a system task force to examine the university at Superior, and to bring to the president, by June 1, 1980, its recommendations on future directions. The task force was made up of administrators and faculty from other institutions of the system, but with liaison members from UW-Superior, and had authority to engage such other consultative assistance as it might wish.

A second study directed by the Regents related to the UW Center System, a system of 14 two-year, liberal arts transfer centers, headed since merger by a chancellor and center system staff. This institution was the child of merger. The 14 centers in their prior incarnation were administered in three different ways. Some of them were satellites of a particular university in the former state universities system. Some of them had been established by UW-Extension but later transferred to UW-Madison, or, for one set, had been established as satellite campuses of the new university at Green Bay. In a period of erratic enrollment changes, characteristic of the 1970s, and in

the presence of prospective decline in the 1980s, questions about the mission, structure, and costs of these institutions were inevitable. Three of the smallest centers had developed unit costs in excess of 130 percent of the average for the Center System as a whole. The entire group of centers increasingly requires resources from the system in excess of the fiscal targets associated with enrollment experience. Enrollment and fiscal projections through 1985-86 also indicated that the Center System, in the absence of structural change, might confront an all but unmanageable rate of fiscal decline.

Both task forces have now reported to the president. The UW-Superior task force recommends maintenance of a small university in Superior, but with significant reorganization designed to reduce total costs of operation by about $1.7 million. These savings are to be realized primarily through a major reorganization of the College of Letters and Science, shifting it from its traditional departmental organization to a divisional organization. Administrative staffing reductions for the university as a whole will also contribute significantly to cost reductions. The task force estimates that a staffing reduction of 40 to 50 positions is both warranted and necessary to achieve a reasonable reduction in costs. As the task force observes, this massive reorganization and reduction in force will require the university to declare a state of fiscal emergency, since the staff layoffs will necessarily affect some tenured faculty.

The Center System task force also did its work largely in the light of a fiscal objective which it believed must be achieved. The task force determined that it must find ways of reducing the resource requirements of the Center System in the next six years by about $1.5 million, while maintaining reasonable program quality. The task force recommended closing one center, UW-Medford, and reorganizing the remaining centers into regional groupings of institutions under three or four regional deans. Combined with other cost-saving steps in administration and faculty staffing these steps are estimated to bring about a cost reduction of $1.5 million. I should add that the recommendation to close UW-Medford proceeded from the task force judgment that the center was too small to be capable of maintaining a two-year program of reasonable quality at tolerable cost levels.

"How do we prevent the loss of a generation of young scholars to higher education, and thus to the future strength of this nation's higher educational instruction and research enterprise?"

Needless to say, the reports have been the object of strong attack from some affected quarters, and it is premature to speculate on the ultimate outcome of what is likely to be a rather far-ranging educational and political debate, extending over the state through 1980 and into the 1981 legislative session.

Conclusions

There are other dimensions to the November 30 report treating matters we believe integral to the effective management of enrollment decline. For the most part these are related to what I consider the most intransigent problem faced by our universities in the coming 15 years. The problem may be raised with multiple questions growing from a single phenomenon – a prolonged period of enrollment decline. How do we maintain intellectual vitality in universities whose faculty are growing old, together with wisdom insufficiently leavened by a substantial number of new and young scholars? How do we prevent the loss of a generation of young scholars to higher education, and thus to the future strength of this nation's higher educational instruction and research enterprise? The evidence of current decline in the intellectual leadership of our nation is already oppressive.

"How do universities. . .maintain this capacity to address the future. . .if their fate for 15 years is to be written in terms of closing institutions, terminating programs, and shrinking the professional workforce?"

Are we simply to watch continuing erosion? How do universities, which are quintessentially a nation's way of being accountable to its future, maintain this capacity to address the future, and to educate citizens capable of addressing the future, if their fate for 15 years is to be written in terms of closing institutions, terminating programs, and shrinking the professional workforce? Clark Kerr observes that if the agenda of higher education institutions in the 1980s and 1990s is to be dominated by the goal of survival, then institutions will be "trading down" – looking for marketable wares rather than excellence. This is not an agenda for the future which the nation can afford.

Our work in long-range planning and the development of management instruments to meet enrollment and fiscal decline all assumes a reciprocal effort by government to provide a relatively stable and predictable environment for university instruction. In a major sense, everything the system and the institutions have developed in anticipation of enrollment decline has been motivated by a belief that if we demonstrate an effective capacity to meet the pressure of growing smaller as aggressively as we met the problems of growing larger, then we will both merit and receive: first, appropriate freedom from governmental intervention in our decision processes; and second, appropriate fiscal stability. As we see it, the interests of government and the university in a strong higher education system should be in harmony.

I have taken it as an article of faith that both effective long-range planning and effective management of enrollment decline require that anticipated changes in fiscal fortunes not be accompanied by unanticipated downside fiscal changes which are much greater than the declines against which the planning and management steps have been undertaken. I have also believed that a reasonable social contract of expectations could be developed between universities and government. I am no longer wholly confident that such a relationship is currently possible. Let me briefly amplify this concern.

"If universities engaged in planning because they believed they could project accurately the shape of the future, they would have abandoned all claim to common sense."

The University of Wisconsin system has produced a plan for rational management of projected enrollment and fiscal decline. We believe our plans can be implemented in ways which will protect and conceivably enhance the quality of our services. Our projections showed that, in terms of the current enrollment funding formula, we faced the problem of reducing, on constant dollar terms, our instructional budgets by about $10 million by 1985-86. All things remaining constant, which they never do, it is conceivable that a further $10 million reduction could be faced in the six years beyond 1986. With all deference to the uses of long-range planning, planning that far into the future produces an increasing sense of detachment from reality.

The real problem will be a continuation of crisis management in the face of unanticipated fiscal decline, and not a problem of rational, long-range management of enrollment and associated fiscal variances.

A few years ago, the novelist William Gaddis wrote a somewhat picaresque novel entitled *J.R.* One reviewer said that the philosophic theme of the novel can be summarized as: "Life is what happens to you while you are planning other things." If universities engaged in planning because they believed they could project accurately the shape of the future, they would have abandoned all claim to common sense. I think there are other reasons for planning – but that is another topic.

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